

various personal purposes, including: to purchase his principal residence in Englewood, Colorado, and a weekend home in Breckenridge, Colorado; to purchase his mother's home in Wisconsin; to purchase various automobiles, including a Porsche for himself, a Mercedes Benz for his sister, and a Subaru for his wife; to purchase various interests in mutual funds; to fund various trusts for his children; to make gifts to family members; to pay initiation fees at his country club in or around Denver, Colorado; to renovate and landscape his Colorado home; to pay dentist bills; and to purchase a Steinway piano and Hawaiian artwork.

PFAFF and his co-conspirators employed a number of fraudulent means in order to conceal the receipt of tax shelter fee income by PFAFF and his co-conspirators from the IRS and other taxing authorities, including the tax authorities in the CNMI, and in order to allow the Saipan co-conspirators to defraud the Saipan Company and its shareholders of their intangible right to the honest services of its officers and employees. PFAFF and his co-conspirators' efforts to conceal the tax shelter fee income included causing millions of dollars of tax shelter fee income to be sent from bank accounts in the United States and the CNMI to bank accounts in Manila, Philippines (the "Philippines bank accounts") -- accounts which were controlled by the Philippines co-conspirator and others. PFAFF and his co-conspirators requested that the Philippines co-conspirator, in exchange for fees, disburse the tax shelter fee income from the Philippines bank accounts in accordance with instructions of PFAFF and his co-conspirators, including instructions that checks and demand drafts be drawn on, and wire transfers be made from, the Philippines bank accounts and directed to individuals and entities designated by PFAFF and others. PFAFF and his co-conspirators also created false and fictitious documentation to make it appear that the fee income PFAFF received from via the Philippines co-conspirator was part of a series of loans rather than income to PFAFF -- which income he failed to report on his tax returns. PFAFF also provided false testimony to the IRS regarding PFAFF's receipt of fee income stemming from the tax shelter transactions. Further, PFAFF and his co-conspirators caused the payment of the tax shelter fee income to PFAFF to be concealed from KPMG, in violation of KPMG's partnership bylaws and/or rules and procedures, and caused the payment of the tax shelter fee income to the Saipan co-conspirators to be concealed from the Saipan Company.

Mr. GARCIA also announced today the filing of a civil forfeiture complaint with respect to \$1,837,605 that, according to the forfeiture complaint, represent the proceeds of the scheme involving PFAFF's fraud on the IRS, the CNMI tax authorities, and

the Saipan Company.

PFAFF is charged with one count of conspiracy to defraud the United States and to commit tax evasion and wire fraud, and one count of endeavoring to obstruct and impede the IRS. He faces a maximum sentence of 5 years in prison on the conspiracy count, and 3 years in prison on the IRS obstruction count. PFAFF also faces, on each of the counts, a fine of the greatest of \$250,000 or twice the gross gain or loss from the offenses.

PFAFF, 57, of Englewood, Colorado, is expected to appear for arraignment before United States District Judge RICHARD M. BERMAN on a date to be scheduled. PFAFF is currently awaiting trial before Judge LEWIS A. KAPLAN on charges relating to other tax shelters not at issue in today's Indictment.

Mr. GARCIA praised the investigative work of the IRS. Mr. GARCIA added that the investigation is continuing.

Assistant United States Attorney STANLEY J. OKULA, JR. is in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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